

1st Draft

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FROM : Chief, TAS

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SUBJECT : Control of Property Purchased or Requisitioned [REDACTED]

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1. PROBLEM

Does the present procedure for purchasing or requisitioning property effectively control the amount of property used by projects and assure that the total funds expended and the cost of property used does not exceed the amount of the project approval.

2. ASSUMPTIONS

- a. That the amount approved for each project by the approving authority is the total funds and property to be made available to the project for the term of the approval; and
- b. That the operating component is authorized to adjust the project budgets by making transfers between funds and property, provided the total of the revised budget does not exceed the total amount approved for the project; and
- c. That the revisions are within the limitations of any specific provisions of the project approval.

3. DISCUSSION

- a. Each operating component estimates its property requirements for each fiscal year by projects. This projection is supported by detailed schedules showing the number, description and cost of the property required. The estimated cost of property is included in the project budget supporting the country program or the project outline. The total property requirement

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groups represents property to be requisitioned from or purchased by the Logistics Office.

- b. The budgets approved for the fiscal year are reduced by the amount included therein for property to be procured by the Logistics Office and this amount represents the operating component's contribution to the Logistics Office allotment. The Budget Division from time to time during the year makes allotments to the Logistics Office within the amount of the contributions from the operating components. These allotments are not identified by projects and the Logistics Office controls are by classes of property and not by projects.
- c. When property is requisitioned from ZI depots or the NA Stock Control Center the cost of the property is charged to the project to which it is issued at the time of shipment or delivery. This cost is reflected in Account 600.2 - Current Costs - Property Issues-without identification as to the fiscal year funds approved for this purpose and there is no control maintained in the Finance Division to determine that the cost of property used is within the amount approved for this purpose in the project approval.
- d. Property shipped from ZI depots or the NA Stock Control Center to field installations may not always be used by the project for which it was requisitioned and there is no provision for adjusting project costs by transferring the charge to the project actually using the property.
- e. The Budget and Finance Branches of each operating component endeavors to maintain control records of property requisitioned from the Logistics Office. This record shows the total amount approved in the project budget for property acquired through the Logistics Office and this amount is reduced by the cost of property requisitioned. This record is not effective because of the delay in receiving advice of the cost of property which must be purchased to complete the requisition and there is no means available to enable

the operating component to check these records and adjust for any errors or missing documents. The Finance Division does issue a monthly cost report showing the charges recorded in Account 600.2 - Current Costs - Property Issues - but this report does not identify the charges by requisition number or fiscal year and it cannot be used by the operating component to verify and adjust their property control records.

- f. The allotment to the Stock Control Center in the HA area represents contributions from operating components' project budgets. However, when the property is received by the Stock Control Center depot it may be requisitioned for any project in the area as the depot does not maintain controls of property by projects.
- g. Under the present policy of permitting projects to requisition property on hand, regardless of whether or not the unexpended project budget is sufficient to cover the cost of such property, may result in some projects incurring costs in excess of the amount of their budget for the period and may also result in some projects being unable to obtain property budgeted for their operation as the allotment for property may be expended prior to the time such property is requisitioned.
- h. Property purchased offshore by projects is charged to Account 600.1 - Current Costs - Direct Allotments and is under allotment control.
- i. Property requisitioned from ZI stocks and from the HA Stock Control Center is charged to the project in Account 600.2 - Current Costs - Property Issues - when the property is delivered or shipped. This account is not under allotment control as the expenditure was recorded when the property was purchased. The Finance Division issues a monthly report showing the detailed charges to this account by projects but the charges are not identified by requisition

number or fiscal year and the operating components are unable to use the report to verify and adjust their control accounts for the cost of property requisitioned.

- j. The Finance Division does not maintain records showing the total cost of projects by fiscal years and does not prepare reports showing the total cost of projects including funds expended and the cost of property used in comparison to the projects budget for the year.

4. CONCLUSIONS

- a. That the cost of property issues is not controlled by projects by fiscal years to assure that the total cost incurred including funds expended and property used does not exceed the amount of the project approval for the period.
- b. That before procedures can be developed for the control of property issued to projects, a policy should be approved limiting the total costs that may be incurred for any project to the amount of the project approval for the period and that the costs of a project includes funds expended and the cost of property used regardless of whether the property is purchased or requisitioned from stocks on hand.
- c. That the records for control of property have advanced during the last two years to a point where it is now timely to consider the adoption of procedures which will provide complete financial control of the cost of property used by projects.

5. RECOMMENDATIONS

- a. That a policy be established providing that the total cost that may be incurred for projects of the operating components shall not exceed the amount of the project approval for the period and that the costs of a

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project shall include funds expended and the cost of property used regardless of whether the property is purchased or requisitioned from stocks on hand.

- b. That the Logistics Office be provided with a revolving fund for procurement of property required by projects and for the maintenance of stock levels. This revolving fund to initially be represented by the present inventory of property plus an allotment to the Logistics Office sufficient to provide a working capital fund for the purchase of property pending the reimbursement of the revolving fund by the operating components for the cost of property issued to them.
- c. That the cost of property issued to projects from the Logistics Office revolving fund be recorded in a special allotment account and be available for periodic allotment to the Logistics Office revolving fund by the Budget Division as reimbursement of the Logistics Office revolving fund.
- d. That when a policy is adopted providing that the total costs that may be incurred for each project of the operating components shall not exceed the amount of the project approval and the revolving fund for the Logistics Office is authorized TBS prepare the procedure necessary to make these actions effective.

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ATTACHMENT-1

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